

# Payments Modernization

► Q1 2020 Bulletin

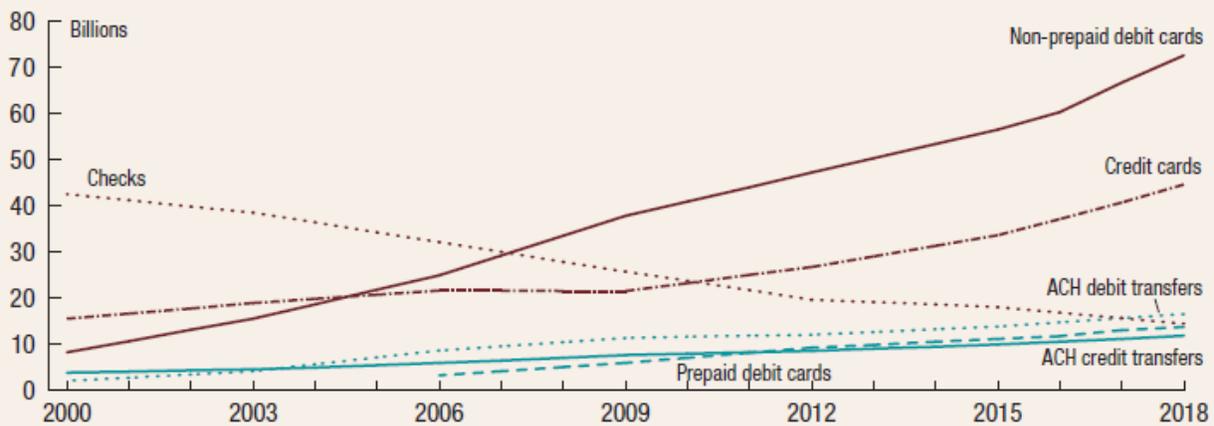
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## Electronic Payments Continue Rapid Growth – Today, Debit is King

Late last year, the Federal Reserve released its latest payments study (link below), showing continuing trends in the expansion of electronic payments. Among the study's key findings:

- The number of non-cash payments increased by 6.7% annually over the three years included in the study, up from 5.1% in the previous report
- Debit card transactions grew rapidly, likely exceeding cash as the most popular payment method, though credit cards had substantially higher dollar volumes
- The decline of checks resumed after plateauing 2012-2015
- ACH remains by far the most popular electronic payment mechanism by dollar volume (almost 2/3 of all transactions by value), though the value of card transactions, both debit and credit, grew faster
- Half of all non-cash transactions were conducted remotely, up from 34% in 2012 and 43% in 2015

**Figure 1. Trends in noncash payments, by number, 2000–18**



Note: All estimates are on a triennial basis. Card payments were also estimated for 2016 and 2017. Credit card payments include general-purpose and private-label versions. Prepaid debit card payments include general-purpose, private-label, and electronic benefits transfer (EBT) versions. Estimates for prepaid debit card payments are not displayed for 2000 and 2003 because only EBT was collected.

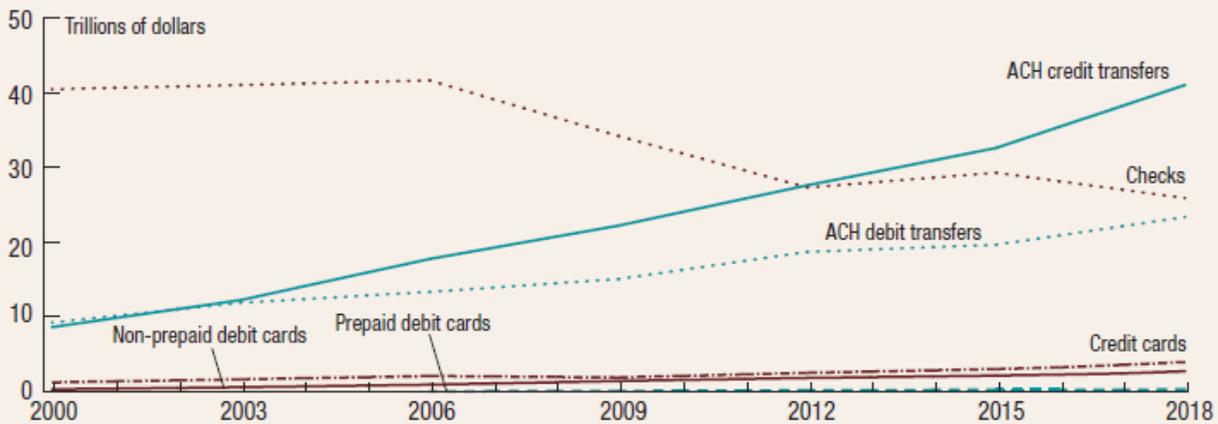
2019 Federal Reserve Payments Study, 12/19/19

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**Figure 2. Trends in noncash payments, by value, 2000–18**



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2019 Federal Reserve Payments Study, 12/19/19

The next payment study will be released in 2022, when the impact of Faster Payments, especially the already implemented RTP Network, will begin to be felt. It is unknowable to what extent the use cases developed for RTP will grow the number of electronic payments, to what degree it will cannibalize on existing payment methods, and how the trajectory of electronic vs. cash payments will change.

For now, banks of all sizes are noting the popularity of debit cards, both traditional and pre-paid (gift cards, travel cards, payroll cards, etc.). Customers have spoken, and many banks will be looking for ways to strengthen relationships through active, well-managed debit programs. Successful community bank payments strategies may include tweaks to debit offerings to take advantage of customer preferences, staff and customer education on Same-Day ACH options, and refreshing (or offering) credit card programs. These are all steps that banks can consider today while preparing for RTP.